



Reaching new Heights

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Taxation

What you need to know about the voluntary disclosure programme

SARS has a mechanism in place to enhance voluntary compliance in the interest of enhanced tax compliance, good management of the tax system and the best use of SARS resources. This mechanism is called the voluntary disclosure programme (VDP).

“The aim of the VDP is to encourage taxpayers to come forward on a voluntary basis to regularise their tax affairs with SARS and to avoid the imposition of understatement and administrative penalties. SARS will also not pursue criminal prosecution if such application is successful,” explains Wessel Smit, Director of CORE Tax. VDP relief is available in respect of all taxes administered by SARS (excluding duties and levies charged in terms of the Customs and Excise Act).

When to apply for the VDP

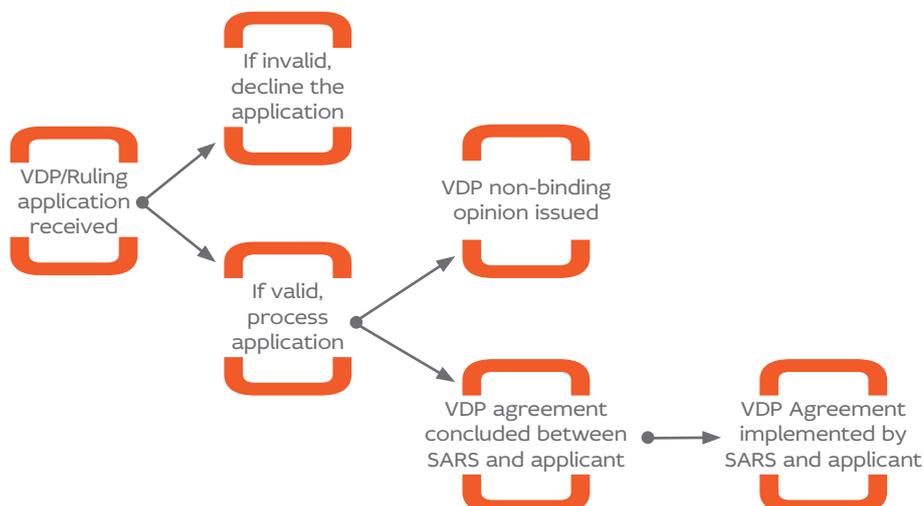
The VDP may be followed where the taxpayer had committed tax defaults in terms of the Tax Administration Act. A default is defined in the Tax Administration Act as the submission of inaccurate or incomplete information to SARS, or the failure to submit information or the adoption of a tax position, where such submission, non-submission or adoption resulted in:

- the taxpayer not being assessed for the correct amount of tax;
- the correct amount of tax not being paid by the taxpayer; or
- an incorrect refund made by SARS.

Confidentiality of information

The rules on confidentiality of information as prescribed in the Act also apply in respect of any information that is submitted through the VDP process. As added protection, information, including the VDP01 and supporting documents provided through the VDP process, is not shared with any other division of SARS. Statistics to determine broad trends are drawn from the information database, but at no stage are the details of any applicant made available in this process or linked in any way to a particular trend or default.

An overview of the VDP process



Who may qualify for the VDP relief?

Any person, whether in a personal, representative, withholding or other capacity, may apply for voluntary disclosure relief. Remember, a person for tax purposes include a company, close corporation and a trust. However, a person that is aware of a pending audit or investigation, or of an audit or investigation that has commenced but has not yet been concluded by SARS, is excluded.

SARS may permit a person who would otherwise be excluded as a result of the audit or pending audit rule, to apply for VDP relief where SARS believes that:

- the default would not otherwise have been detected during the audit or investigation; and
- the application would be in the interest of good management of the tax system and the best use of SARS' resources.

Such applications, where an audit or investigation is already in process, are done with SARS on an anonymous basis.

Requirements for a VDP

To ensure that a VDP is valid, a disclosure must be voluntary, involve a default which has not previously been disclosed to SARS by the applicant or representative of the person, be full and complete in all material respects, involve the potential imposition of an understatement penalty in respect of the default, not result in a refund due by SARS and be made in the prescribed form and manner.

What relief is available if the application is successful?

Where a person qualifies for voluntary disclosure relief and has entered into a voluntary disclosure agreement with SARS, SARS must, despite the provisions of any tax Act:

- not pursue criminal prosecution for a statutory offence arising from the default;
- grant the relief in respect of any understatement penalty; and
- grant 100% relief in respect of an administrative non-compliance penalty that was or may be imposed.

This relief excludes relief from penalties imposed for the late submission of a return or a late payment of tax. It also does not provide relief from interest imposed on tax debt.

How should a voluntary disclosure be made to SARS?

All voluntary disclosures must be made on the prescribed Voluntary Disclosure Application Form (VDP01), which can be accessed via the SARS electronic platform, namely SARS eFiling (www.sarsefiling.co.za). The VDP01 must be completed on-line and submitted via SARS eFiling. Applicants who do not have access to the internet and computer facilities can visit any SARS branch, where the VDP01 will be completed on their behalf by SARS staff and submitted via eFiling.

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Women in agriculture

During the recent celebration of Women's Month the spotlight again fell on women in agriculture. This group, especially regarding involvement on primary level, is one of the most vulnerable groups, but the scope is not properly documented. This actually robs the world of the important role that women play and can play in issues such as household food security and poverty alleviation, especially in rural areas," says Dr Kobus Laubscher, Director of CORE Business Development.

The latest and most reliable report on the involvement of women in agriculture is a FAO report of 2011. Although there is significant statistical variation regarding inter and intra-regional involvement of women in agriculture, it is important to take note of the following: Women are the backbone of development and form 43% of the global agricultural workforce. In some countries this number is as high as 70%. Up to 80% of Africa's agricultural production comes from subsistence farming, mostly run by women.

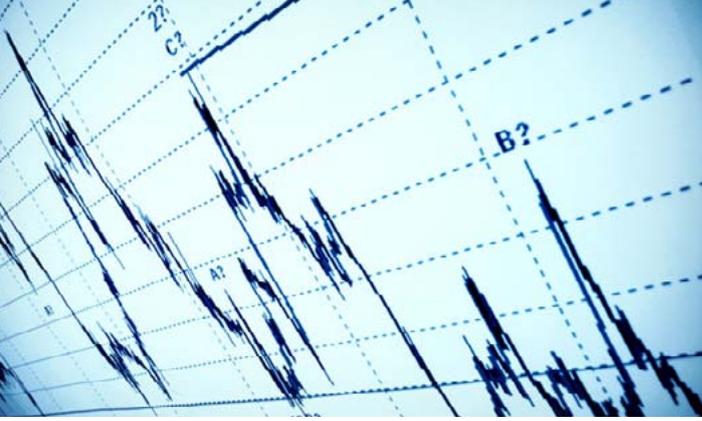
Women form the biggest part of the agricultural workforce, but do not have equal control over or access to land and other resources. There are claims that equal access will increase agricultural productivity with up to 10%. It is accepted wisdom that women maintain and improve living conditions in rural areas, yet at the same time they are the victims of inequalities such as poor access to education. Women often fulfil more than one role, meaning in many cases their family responsibilities include putting food on the table. They are forced to put hand to plough while remaining responsible for the health care and education of their families. Women form the biggest percentage of unpaid or seasonal labour. However, statistics on the role of women in terms of household food security are skewed because many women in rural areas and developing countries do not make a distinction between their household chores and responsibilities and their role in agriculture. Virtually the only exception is in caring for livestock, where women play a diminished role.

The degree of difficulty of maintaining household food security is often underestimated because issues such as long distances travelled to ensure drinking water for their homes are not taken into account. Supportive policy often lacks affirmative action that will empower women to fulfil their roles to capacity. This would imply that women are seen as experts regarding growth and development and not only as recipients. Women can contribute in a meaningful and complementary manner to expertise on the role of women. New and better investments are required to empower women.

One such an opportunity is increased access to mobile technology, which would increase market access in rural areas. This would be the logical step to involve women in development as women dominate the agricultural value chain, especially in Africa. It is seen as a very productive way of enabling women to overcome the limitations of market access through access to timeous market information. There are a number of examples of female farmers who achieve success because of better access to information through mobile technology. Not only do these women gain access to market information, but it also becomes increasingly possible to spread farm management information in this manner. Previously women were dependant on men for this information, but they are now empowered by a cellphone.

Women who care for their families despite challenges and in doing so ensure that household food security remains an achievable ideal are truly remarkable.

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Financial markets: Don't panic!

One of the worst ways to punish a child is to send him to the bathroom with the words, "Go and wait for Daddy and take the belt with you!" The suspense of waiting to be punished is often just as bad as the punishment itself. Well, the wait is over and Dad's footsteps are coming towards the bathroom ...

If there was any doubt the past two weeks have made it clear that volatility is back in financial markets, says Gerhardus Liebenberg, Director of CORE Financial Solutions. As if the crisis in Greece was not enough, China then went and devalued its monetary unit ... which caused the dam to burst. In addition the world is waiting with baited breath to see what is going to happen with interest rates in America. This announcement is expected around 20 September. Although the pain is felt throughout the country and the economy, it does provide us with a good opportunity to spring-clean.

Let's try to make sense from the chaos and all the noise in the media. This is not the first crisis and it will definitely not be the last. There is always some or other crisis somewhere on the planet. So take heart – we will survive! The artificial stimulus that supported markets after the 2009 financial crisis has made most of us a bit overconfident. We've forgotten the market's inherent risk and volatility.

So what are we to do? The answer is ... nothing. A good idea is to reconsider the term of your investments. From day one you've known that it is a long-term investment. The current fluctuations are therefore simply an opportunity to reconsider your long-term strategy, to dust it off and look at how you are performing in terms of your three-year and five-year planning. For any fund manager worth his while the next couple of months will provide ample opportunities to add value to the portfolio.

What did the correction mean in terms of cold hard facts? Since its highest point on 24 April 2015, the JSE has decreased from 55 188 points to 48 515. This is a loss of more than 12%. Of these losses experienced by the exchange, what was the experience of our clients?

- Core TCAM Cautious: -1.29%
- Core TCAM Moderate: -2.61%
- Core TCAM Optimal: -3.97%

The funds' exposure to the stock market are as follows: 35.4%, 47.7% and 59.6%. It is clear: The higher the exposure to the market, the bigger the decrease that the portfolio would have experienced. We're not planning on making any big changes to our funds over the short term. We are also not planning on getting out of the market and investing in cash. Although the fluctuations are unpleasant, the recovery of the market is often fast and unpredictable. It is better not to sell assets in the hope that we will be able to match it to the exact moment of that recovery. Often missing those recovery moments means that you are losing more value than you are trying to protect.

For more information or technical questions, contact CORE Financial Solutions.

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Verification vs Consulting

The B-BBEE industry consists of various role-players. The aim of this article is to clarify the roles of different service providers involved in the field of B-BBEE. The most commonly known service providers are B-BBEE consultants, B-BBEE verification agencies and B-BBEE approved registered auditors, explains Colette Cilliers, Director of CORE BEE.

B-BBEE consultants

B-BBEE consultants are currently not regulated. However, the ABP (the Association for B-BBEE Professionals) is engaging with stakeholders to professionalise the entire industry, which will result in some form of regulation for consultants in the future.

The role of the consultant can be summarised as follows:

- Assists entities to understand the requirements of B-BBEE-related legislation;
- Prepares a scorecard ahead of a B-BBEE verification;
- Utilises the scorecard as a starting block for B-BBEE improvement planning;
- Provides advice and assistance to entities in terms of B-BBEE compliance;
- Involvement in the development of integrated B-BBEE strategies;
- Verification file preparation; and
- Facilitation of B-BBEE verification on behalf of entities.

B-BBEE verification agencies

The South African National Accreditation System (SANAS) has been involved in the accreditation of B-BBEE verification agencies since shortly after the promulgation of the first Codes of Good Practice on B-BBEE.

B-BBEE verification agencies are responsible for the independent verification of the B-BBEE status of entities, and as a result of the process then issues verified B-BBEE certificates to such entities that represent a fair reflection of the actual transformation status of such entities. B-BBEE verification agencies play a similar role to that of B-BBEE approved registered auditors in so far as B-BBEE verification engagements are concerned.

B-BBEE approved registered auditors

In October 2011 the Department of Trade and Industry (DTI) granted permission to the Independent Regulatory Board for Auditors (IRBA) to approve registered auditors (RAs) to conduct B-BBEE assurance engagements. Those auditors that have been approved by the IRBA to issue verified B-BBEE certificates are known as B-BBEE approved registered auditors.

A B-BBEE assurance engagement refers to a “limited assurance engagement” where a B-BBEE approved registered auditor applies assurance procedures to obtain sufficient and appropriate evidence regarding the claims made by the measured entity in terms of its B-BBEE compliance and to determine that the B-BBEE scorecard, as reflected on the B-BBEE verification certificate, is not materially misstated.

The IRBA Code of Professional Conduct for RAs includes a framework for evaluating threats to independence. Compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour may be threatened by a broad range of circumstances. The Code applies to all B-BBEE approved RAs and engagements to issue B-BBEE verification certificates. These include threats of self-interest, self-review, advocacy, familiarity and intimidation.

In order to maintain independence, a B-BBEE approved RA (and his/her verification team members) conducting a B-BBEE assurance engagement for a specific client may not:

- be involved in the preparation of the B-BBEE verification file or compilation of supporting evidence;
- advise the client on any matters in order to improve the level of compliance of the entity;
- be involved in the development or implementation of the B-BBEE strategy; or
- search for opportunities to obtain higher points than that initially claimed by the entity at the commencement of the assurance engagement.

Apart from the B-BBEE assurance engagement, a B-BBEE approved RA (and his/her verification team members) may:

- have information meetings and planning meetings with the entity;
- examine specific documents on the entity's request to provide an opinion regarding compliance to B-BBEE related legislation;
- provide training, provided that it is confined to providing generic information and advice that is freely available in the public domain; and
- make information available on request on the basis of the B-BBEE approved RA's interpretation of the requirements of the Verification Standards and Codes.

In determining the type of assistance required by the entity, the role of each type of service provider must be understood. If assistance is required in terms of preparation for a B-BBEE verification, or if advice is required on how to improve the current level of compliance, the entity should approach a credible B-BBEE consultant.

Some B-BBEE approved RAs, of which CORE BEE is one, offer B-BBEE consulting services as well. The benefit of engaging the previous verification party to become involved in B-BBEE strategic planning, especially in light of the New Codes, is that the person has sound knowledge of the current level of compliance and structures within the business.

It should be noted, however, that due to the independence requirements, once the RA has rendered B-BBEE consulting services to a client, they may not perform B-BBEE assurance and verification services to the same entity. In such instances the services of a different verification agency or B-BBEE approved RA will need to be used to obtain a verified B-BBEE certificate.

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Trust deeds and changing circumstances

Many family trusts are established when the planner of the estate is still young and his family still growing. In many of the older trust deeds the children are described as capital and income beneficiaries, while the parents only qualify as income beneficiaries, explains Piet Swanepoel, Director of CORE Trusts & Estates.

Growth assets are collected in the trust over a long period of time often without a review of the beneficiaries of the trust. When the parents retire, they realise that they may only receive income from the trust and that no capital apportionments may be made to them. This could have a drastic influence on the standard of their retirement. This is an example of a “favourable” scenario – there are instances where the parents are not beneficiaries of the trust at all and (while they forgot about the latter) collect all their assets in the trust.

Another regular occurrence is that the beneficiaries (children) have more or less the same needs (normal care) when they are minors. However, once they are standing on their own feet and starting their own families conflicts of interest arise between the beneficiaries. An example: Dad runs a farming operation. A trust is registered and over time six farms are bought into the trust. The beneficiaries of the trust are described as Dad, Mom and the children born from their marriage. Three sons are born from the marriage. Eventually all three sons want to farm. Dad wants to make two farms available to each son. The problem is that the farms belong to the trust and that the father may not trade with the farms. The farms may stay in the trust to the advantage of all the beneficiaries, but the trustees will then have to administrate these to the advantage of all the beneficiaries. The beneficiaries of the trust also increase as the sons’ families and their children increase in number. In an active farming operation the farmer also has the need to use his farm as security.

Provision can be made in the trust deed for further trusts established in terms of the trust deed and these also qualify as beneficiaries. The farms may be transferred to these trusts (established for the beneficiaries) but capital gains tax will be payable on the difference between the value of the farm when it was bought and the value at the time of transfer.

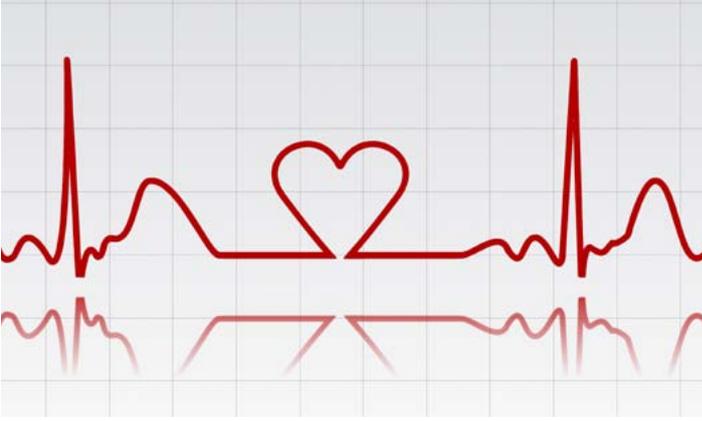
Possible solutions for these problems include:

- Plan the acquisition of farms so that economic units are bought into separate trusts.
- Extend the trust deed to make provision for groups of beneficiaries, giving the trustees the option to administrate specific assets of the trust fund to the advantage of specific groups of beneficiaries.
- Consider making provision for the option where the board of trustees may be divided into sub-boards that can take responsibility for the administration of specific assets of the trust and to the advantage of specific groups of beneficiaries of the trust.

Irrespective of how you plan your estate, it is important:

- to plan with the end in sight;
- to be beware of and keep abreast with the content of trust deeds; and
- to review your plan regularly to ensure that it is feasible.

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The bottom-line value of strong relationships

A brand is a collection of perceptions in the mind of the customer. In this regard, a lot of emphasis is placed on the external customer – the person buying your product or making use of your services. Along the line, another group of customers is often neglected: employees. In brand management, employees are referred to as “internal customers” whose perceptions of the brand are equally if not more important to your bottom-line, says Hein du Plessis, Director of Brand New.

Employees are a crucial link in the value chain, especially since most of a company’s customers often interact directly with employees, making employees the human face of the brand. Due to this close association with the brand, the perceptions that employees have of a brand are extremely important as it will be reflected in dealing with customers. The quality of relationships, not only with a brand, but with other individuals and the relationship a person has with his or her Self, is therefore important.

The quality of life is mostly defined within the context of relationships. Business is part of life and its quality is therefore also influenced by relationships. Understanding relationships sounds like a topic for the humanities, yet it is one of the most overlooked keys to success – even of the bottom-line in business. The quality of relationship dynamics is directly determined by the relationship with Self – that internal value you place on yourself. This relationship influences every other relationship construct in life, including relationships with colleagues, leadership as well as customers. All these relationships contribute and influence corporate culture, which is the friend or enemy of the omnipotent concept of brand. This is the pinnacle connection point of all of the above, as the quality of a brand encompasses the quality of relationships.

In business, and elsewhere, an individual’s relationship with and understanding of themselves is often neglected. This becomes visible in the poor quality of relationships in society in general, and results in, for example, poor service delivery. Only when people get to understand themselves can they truly understand and accommodate another.

We believe that the employees’ or internal customers’ perception of the brand will be reflected to the external customers. The trend of poor service delivery is merely the fruit of a neglected root, namely the individual’s relationship with him or herself. The self is like a puzzle which gets shattered by life some or other time. This shattered perception of self needs to be unpacked and re-ordered in order to position the individual as a dynamic brand ambassador within his environment. Brilliant service delivery will become the organic by-product when the internal customer, the employee, becomes the number one valued customer.

The responsibility of brand managers, and management, is clear: Helping people to understand and get to know themselves will directly contribute to your target market’s perception of your brand, and eventually it will be reflected in your bottom-line.

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